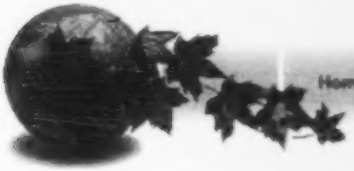

# Country Market Report - Philippines
# Aircraft Engines and Parts

## Market Overview

Sales in the Philippines aircraft engines and parts market are expected to be brisk in the next few years as a result of an improving economic situation since 1993 and the resultant increase in demand for air transportation. Fleet build-ups by both scheduled and non-scheduled operators, as well as by the Armed Forces of the Philippines will also contribute to the market.

Total market demand for aircraft engines and parts declined from US$5.18 million in 1993 to US$2.98 million in 1994, or by 43%. Market demand for aircraft engines and parts is expected to pick up again from 1995 to 1998 at an anticipated minimum 5% annual growth.

The above market figures include the following HS coded products:

| | |
|---|---|
| 840710: | spark-ignition reciprocating/ rotary internal combustion piston engine for aircraft; |
| 840910: | parts of spark-ignition reciprocating/rotary internal combustion piston engine for aircraft; |
| 841111: | turbo-jet aircraft turbine; |
| 841121/2: | turbo-propeller aircraft turbine; |
| 841181/2: | gas turbine for aircraft; |
| 841191: | parts of turbo-jet and turbo-propeller aircraft engines; |
| 841199: | parts of gas turbine engines for aircraft. |

The statistics exclude gas turbine for aircraft since there is no separate data for this product category in government statistics.

The Philippines is dependent on imports as there is no local production of aircraft engines and parts. In 1993, the countries with the largest shares of the import market were Singapore 56%, the United States 21%, Germany 13%, Italy 3% and Australia 2%.

The following legislative and industry patterns have prompted the projected increase in demand for scheduled and non-scheduled/charter operations and purchases of aircraft engines and parts:

1. Government liberalization and deregulation of the Philippine aviation sector. The 1995 Executive Order No. 219 (EO219) established a domestic and international civil aviation liberalization policy and allowed the government to designate at least two Filipino-owned airlines as international and official flag carriers. Currently, Philippine Airlines (PAL) is the only official flag carrier. EO 219 also provides that a minimum of two operators in each route or link will be encouraged in domestic air transportation.

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encouraged in domestic air transportation.
2. PAL's US$2.6 billion aircraft purchase and lease plan which will refurbish its fleet by the year 2000.
3. The inclusion of tourist air transport facilities in the 1994 Investments Priorities Plan (IPP). Registration and granting of incentives have been granted to Grand International Airways, Inc., Cebu Pacific Air, Pacific Airways Corporation, Philippine Eagle Airlines, Inc. and Star Asia Airways Corporation to operate tourist air transport facilities.
4. The enactment of Republic Act No. 7898 or the Armed Forces of the Philippines Modernization Act. To develop AFP defense capabilities, the law provides for aircraft purchases. A top priority of the modernization program is the acquisition of a modern jet fighter squadron.

Other factors that will increase demand for aircraft engines and parts are the following:

1. Plans of Agusta of Italy to transfer its manufacturing facility and technology to the Philippines and designate Philippine Aerospace Development Corporation (PADC) as the sole source worldwide of the SF600 Canguro, a twin-engine turbo-prop, 12 seater commuter aircraft. PADC, a government-owned corporation, is involved in aircraft assembly, maintenance and engineering.
2. Plans of Grand International Airways Inc. to operate scheduled flights and MATS Cargo Airport Services, Inc. and Gloria Air Services to operate non-scheduled/charter flights.

**Public and Private Sector Customers**

The military has the majority of government-owned aircraft, with the Philippine Air Force having an inventory of about 300 aircraft of which 180 are flying. Most aircraft are equipped with Lycoming engines.

Some government agencies possessing aircraft (one to two each) are the Air Transportation Office, Central Bank of the Philippines, Bureau of Soils and Water Management, Department of Education, Culture and Sports, Department of Interior and Local Government and the National Bureau of Investigation. Some of the brands of government-owned aircraft are Bolkow, Beechcraft, Cessna and Helio.

The Air Transportation Office, (ATO), an agency attached to the Department of Transportation and Communication, is responsible for issuance of airworthiness certificates for aircraft, air carrier operating certificates and type certificates for aircraft, aircraft engine, propellers and appliances.

**Scheduled Operators**

There are five domestic scheduled operators, namely PAL, GrandAir, Cebu Pacific, Asian Spirit and Air Philippines.

PAL handles more than 98% of domestic passenger traffic and is the biggest scheduled air carrier operating domestic routes. PAL operates a fleet of 48 aircraft: 12 B-737-300s, 12 Airbus A300-B4s, 10 B-747-200Bs, 10 Fokker 50s, three B-747-400s and one McDonnell Douglas Series 30 DC-10. Most PAL aircraft engines are GE. For leased aircraft, engine parts are provided by the lessor. PAL plans to purchase 37 new aircraft including nine B-747-400s with the rest from Airbus European consortium.

The four other regular operators are fairly new being approximately one year in operation.

**Non-scheduled Operators**

There are 40 domestic non-scheduled/charter operators, eight of which were issued licenses and permits for non-scheduled and/or charter domestic services in 1994. Most non-scheduled operators are Manila-based and in total own about 400 aircraft.

The nonscheduled operators use small rotary and fixed wing aircraft with maximum take-off weights of 12,500 lbs. or less for mixed passenger and cargo services, and DC-3s and C-130s for pure cargo operations. Aircraft capacity ranges from two to 19 seats. Pacific Airways Corporation, with seven bases

operations. Aircraft capacity ranges from two to 19 seats. Pacific Airways Corporation, with seven bases of operation, operates the largest fleet with about 40 aircraft. The rest use between one and seven aircraft.

**Factors Influencing Purchases**

Aircraft owners prefer to use the same brand of engine or parts originally equipped in their aircraft. They will consider other brands if certified by aircraft manufacturers as compatible or suitable to the aircraft. Canadian suppliers interested in the Philippine market should work for the certification of their engines and parts by aircraft manufacturers.

Price, quality, brand and after-sales service are the major considerations of aircraft owners when purchasing aircraft engines and parts.

The following are some of the best sales prospects:

| HS Code | Product |
|---|---|
| 840710 | Spark-ignition reciprocating/ rotary internal combustion piston engine for aircraft |
| 840910 | Parts of spark-ignition reciprocating/rotary internal combustion piston engine for aircraft |
| 84119 | Parts of turbo-jet and turbo-propeller aircraft engines |

**Distribution**

Canadian suppliers interested in selling to the Philippines should appoint a local representative and prepare a good marketing strategy which includes technical product presentations and seminars for pilots and aircraft owners. The organization of presentations and seminars could be coordinated with aviation groups. Canadian suppliers should ensure availability of spare parts and review their prices to be make sure that they are competitive.

Canadian suppliers are advised to work for certification of their engines and parts since aircraft owners prefer to use the same brand of engines and parts as those that are originally equipped in their aircraft. Only when alternative engines or parts are certified by the aircraft manufacturer to be compatible with the brand on the aircraft will the owner consider other brands.

**Distribution Practices**

There is more business in spare parts than in new engines because most aircraft owners repair, overhaul or trade in engines rather than purchase new ones. Overhauled engines are about 30 to 50% cheaper than those that are new. Engines are usually sent to Australia, Malaysia, Singapore, Taiwan or the U.S. for overhauling. There is a proposal to construct an overhauling facility in the former U.S. Navy Base at Subic Bay which is now a duty free zone.

A company intending to distribute aircraft engines and parts in the Philippines must first secure an aircraft material distributor certificate from the Air Transportation Office. The company should submit the following with its application for a certificate: inspection and quality control manual, chief/deputy chief storekeeper qualification and experience, form of certificate for approval, manufacturer's authorization to distribute products, incorporation papers, organizational set-up, list of aircraft parts/materials for sale, facility lay out, list of personnel and their functions and a fee of Pesos 1,000.00 (Cdn$1= 18 Pesos). To date, there are 34 aircraft material distributor certificate holders, including two companies located in Singapore.

PAL directly transacts with suppliers through their computer link-up with major vendors. Other aircraft owners invite aircraft engines and parts suppliers to participate in competitive bidding or they get quotations from these suppliers in an informal canvas. Some owners, who have purchasing offices abroad, channel their requirements through these offices and others rely on local distributors. Aircraft owners may enter supply agreements only or supply and service agreements. Aviation magazines and directories such as the World Aviation Directory are valuable sources of information for aircraft owners.

directories such as the World Aviation Directory are valuable sources of information for aircraft owners. Warranty for engines is about 200 hours to one year, while for parts it is 100 hours to one year.

**Considerations for Market Entry**

**Competitive Analysis**

**Domestic**

There is no local production of aircraft engines and parts because the market is too small to support such a venture. There are, however, maintenance, repair and overhaul centres for aircraft engines. For instance, PADC serves as the maintenance, repair and overhaul centre for Allison 250 series turbine engines as well as Lycoming and Continental piston engines up to 400 HP rating.

The Civil Aviation Master Plan, which serves as the guide of government agencies in the aviation industry, recommends development of the country's capability to manufacture selected aircraft components and facilities for certain types of engine overhaul. It does not specify which components and facilities will be developed.

**International**

During the past three years, the total import value of aircraft engines and parts has been declining. From US$ 6.65 million in 1992, imports fell to US$ 2.98 million in 1994. Only importation of piston engine parts increased consistently from 1992 to 1994. These parts made up 56.04% of total 1994 imports while piston engines accounted for 41.61%.

In terms of quantity, 15 piston engines were imported in 1992, 24 in 1993 and 20 in 1994. Importation of engine parts in 1993 amounted to 3,057 gross kilos and in 1994 to 6,997 gross kilos. Importation of turbo-jet/turbo-propeller parts declined from 2,196 gross kilos in 1993 to 614 gross kilos in 1994.

Among the major imported brands in the Philippine market are Allison, Ariel, Garrett, GE, Continental, Honeywell, Lycoming, Pratt & Whitney and Turbo Mecca. The Philippines will continue to be wholly dependent on imported aircraft engines and parts.

**Import Regulations**

There are no trade restrictions or other non-tariff barriers on imported aircraft engines and parts. A 3% duty and a 10% Value Added Tax (VAT) are levied on imported engines and parts.

**Financing**

Aircraft owners most often use letters of credit. A foreign supplier grants 30 to 90 days' credit depending on his/her relationship with the local representative or buyer. Depending on the customer, local representatives provide terms such as 50% down payment and 15 to 30 days credit for the balance or full payment 15 to 30 days after delivery of parts. It takes approximately 120 to 180 days before a seller can collect from government agencies.

**Promotional Venues**

**AMD**
**Aviation, Maritime & Defense Exhibit**
Frequency: Biennial
Date: 7-14 March, 1997
Location: Philippine Trade Training Centre, Manila
Organizer: Philippine Exhibition Services Organization, Inc.
Unit 1205, Centerpoint Office Condominium
Garnet St. cor. Julia Vargas Ave.
Ortigas Center, Pasig, Metro Manila

Ortigas Center, Pasig, Metro Manila
Tel: (63-2) 633-6557 to 60
Fax: (63-2) 633-6589
Contact: Bernadette Concepcon

There were 49 exhibitors in the 1995 AMD. The following aviation companies were present at the show:

Aircraft and Helicopters:

1. Aerospatiale (France)
2. AG Rostvertol/Jagas (Russia)
3. Agusta S.P.A. (Italy)
4. Kazan Helicopters K.V.Z. (Russia)
5. Moscow Aircraft Production Organization (Russia)
6. Kiev State Aviation Plant (Russia)
7. Pilatus Britten-Norman (United Kingdom)
8. V/O Aviaexport (Russia)

Engines:

1. Allied Signal Aerospace (U.S.)
2. Ivchenko Progress ZMKB (Russia)
3. Motor Sich (Ukraine)
4. Turbomeca Asia (Singapore)

Canadian suppliers can also promote their products through the trade associations listed below.

**Key Contacts and Support Services**

**Philippine Government Contacts**

**Embassy of the Republic of the Philippines in Canada**
130 Albert Street, Suite 606-608
Ottawa, ON K1P 5G4
Tel: (613) 233-1121/1122/1123
Fax: (613) 233-4165

**Air Transportation Office**
MIA Road, Pasay City
Contacts: Capt. Saturnino dela Cruz, Chief, Flight Standard Division
Tel: (63-2) 891-6402
Fax: (63-2) 833-1577
Contact: Mr. Ricardo Excondo, Sr., Chief, Airworthiness Section
Tel: (63-2) 832-1961 local 3442,3252; 833-3362
Fax: (63-2) 833-1577

An attached agency to the Department of Transportation and Communication responsible for, among others, issuance of airworthiness certificates for aircraft, air carrier operating certificates and type certificates for aircraft, aircraft engines, propellers and appliances.

**Air Transportation Planning Division**

**Department of Transportation and Communication**
12/F, Philcomcen Bldg.
Ortigas Ave., Pasig, Metro Manila
Tel: (63-2) 631-8666 local 218, 236
Fax: (63-2) 631-6239, 631-5831

Contact: Mr. Raphael S. Lavides, Chief, Air Transport Planning Division

Primarily concerned with planning air transportation infrastructure facilities in the Philippines.

**Civil Aeronautics Board**
CAB Building
Old MIA Road, Pasay City
Tel: (63-2) 833-7259 local 35; 833-7268; 833-7288
Contact: Ms. Sally C. Junsay, Chief Transportation Development Officer

Mandated to regulate, promote and develop the economic aspect of civil aviation. Supervises and regulates air carriers, general sales agents, cargo sales agents and air freight forwarders.

**Philippine Air Force**
Main Bldg., Headquarters
Villamor Airbase, Pasay City
Contacts: Col. Marciano R. Ilagan
Asst. Chief Airstaff for Logistics A-4
Tel: (63-2) 832-1046
Col. Benjamin Defensor, Asst. Chief of Air Staff for Plans & Programs (A-5)
Tel: (63-2) 832-10-22
Major Cipriano Gundao, Director, Aircraft Maintenance
Tel: (63-2) 832-1046

**Trade Associations**

**Aircraft Owners and Pilots Association - Philippines**
Andrews Ave., Domestic Airport, Pasay City
Tel: (63-2) 831-7009
Fax: (63-2) 833-3891
Contact: Capt. Geronimo Amurao, President

**Federation of Aviation Organizations of the Philippines, Inc.**
c/o Douglas Air Services
105 CCH Bldg., 136 Alfaro St.
Salcedo Village, Makati, Metro Manila
Tel: (63-2) 818-4260; 815-6912
Fax: (63-2) 819-0439

**Scheduled Operators**

**Aerolift Philippines, Corporation**
4/F Jaka II Bldg., 150 Legaspi St.
Legaspi Village, Makati, Metro Manila
Tel: (63-2) 831-2267; 83122-68
Fax: (63-2) 819-0385
Contact: Capt. Tomas Yanez, President

**Philippine Airlines, Inc.**
PAL Technical Centre
Villamor Airbase
Pasay City, Metro Manila
Tel: (63-2) 833-1421
Fax: (63-2) 833-1418
Contact: Mr. Edgardo Resurreccion, Manager, Aircraft Support Materials Management Division

**Silangan Airways, Inc.**

7/F, Ramon Magsaysay Centre
1680 Roxas Boulevard
Tel: (63-2) 521-2635
Fax: (63-2) 521-6747
Contact: Mr. Peter Salud, President

**Star Asia Airways Corporation**
Don Tim Bldg., 5438 South Superhighway
Tel: (63-2) 892-21-50; 892-6803
Fax: (63-2) 818-8247
Contact: Mr. Arthur Leong, Chairman

**Domestic Non-scheduled/charter Operators**

**A. Soriano Aviation, Inc.**
A. Soriano Hangar, Andrews Ave.
Pasay City, Metro Manila
Tel: (63-2) 831-5328; 834-0371
Fax: (63-2) 831-5380; 833-3853
Contact: Mr. Fiorello S. Adriano, Vice President - Sales & Operations

**Aboitiz Air Transport**
Gen. Aviation, Manila Domestic Airport
Pasay City
Tel: (63-2) 833-1776/831-2294
Fax: (63-2) 831-3978
Contact: Mr. Jun Rencio, Logistics Purchasing Manager

**Air Ads, Inc.**
Air Ads Hangar, Andrews Ave.
Domestic Airport, Pasay City
Tel: (63-2) 833-3264; 834-0317
Fax: (63-2) 831-4939

**Airlink International Phils., Inc.**
Airlink Bldg., Domestic Road
Manila Domestic Airport, Pasay City
Tel: (63-2) 833-3833; 833-3892
Fax: (63-2) 833-3891
Contact: Capt. Geronimo Amurao, President & Gen. Manager

**Asia Aircraft Overseas Phils., Inc.**
Domestic Road cor. Mia Road
Pasay City
Tel: (63-2) 831-9322/831-9404
Fax: (63-2) 831-4326
Contact: Mr. Cesar de Castro, Operations Manager

**Ayala Corporation**
7/F, Makati Stock Exchange Bldg.
Ayala Avenue, Makati, Metro Manila
Tel: (63-2) 832-3595
Fax: (63-2) 833-8750
Contact: Col. Rey Estuesta, Operations Maintenance Manager

**Chemtrad Air Philippines**
G/F, Manila Aero Club Bldg.

Andrews Avenue, Domestic Airport
Pasay City
Tel: (63-2) 833-0229
Fax: (63-2) 833-0338
Contact: Mr. Gionnall Joppette Barradas, Executive Vice President

**Executive & Tourist Aviation, Inc.**
Chemphil Bldg., 851 Arnaiz Avenue
Legaspi Vill., 1225 Makati, Metro Manila
Tel: (63-2) 817-4851
Fax: (63-2) 817-4851
Contact: Capt. Andy F. Morales, Vice President/Gen. Manager

**House of Travel, Inc.**
Anflocor Bldg., 411 Quirino Ave.
Paranaque, Metro Manila
Tel. No: (63-2) 833-3172; 833-5233
Fax: (63-2) 833-6265
Contact: Mrs. Linda F. Lagdameo, Senior Vice President

**Mabuhay Airways, Phils., Inc.**
West Maintenance Area, Manila Domestic Airport
Pasay City
Tel: (63-2) 833-4274/892-8806..9
Fax No: (63-2) 818-1203
Contact: Capt. Rodante Alix, Gen. Manager

**Pacific Airways Corporation**
3110 Domestic Road
Pasay City, Metro Manila
Tel: (63-2) 832-2731
Fax: (63-2) 833-7430
Contact: Mr. Rodolfo A. Isidro, Vice President

**Phil. Agricultural Aviation Corp.**
Western Side, Manila Domestic Airport
Pasay City
Tel: (63-2) 832-2576
Fax: (63-2) 832-2576
Contact: Mr. Rodrigo P. Barcia, Gen. Manager

**Victoria Air Inc.**
West Maintenance, Domestic Airport
Pasay City
Tel: (63-2) 832-2577
Contact: Capt. Jerry Juane, Manager

**Aircraft Material Distributors**

**ALS Marketing & Services Group**
Unit 8, Jolliland Townhomes
670 EDSA Pasay City
Tel: (63-2) 831-9118
Fax: (63-2) 831-8898
Contact: Mr. Albino Sy, Manager

**Airspan Corporation**

Hangar #10, MDA, Pasay City, Metro Manila
Tel: (63-2) 831-3990/833-3258
Fax: (63-2) 833-3258
Contact: Mr. Archie Po, President

**Apson Enterprises, Inc.**
AVIA Filipinas, Hangar
Old Mia Circle, Pasay City
Tel: (63-2) 832-2562
Fax: (63-2) 831-6316
Contact: Mr. Virgilio Po, President

**Douglas Air Services**
Rm. 207, CCH Bldg.
136 Alfaro St., Salcedo Vill.
Makati, Metro Manila
Tel: (63-2) 815-6912
Fax: (63-2) 818-4260
Contact: Mr. Douglas E. Macias, President

**Energy and Aviation Support Corp.**
2/F, Hedelina Bldg., 705 J. P. Rizal St.
Makati, Metro Manila
Tel: (63-2) 86-73-91
Fax: (63-2) 813-2030
Contact: Mr. Reynaldo Ligada, President

**General Aviation Sales Supplies & Trading, Inc.**
Gasti Hangar, Manila Domestic Airport
Pasay City
Tel: (63-2) 832-2768
Fax: (63-2) 831-4326
Contact: Mr. Romy Nunez, Vice Pres. - Gen. Manager

**Macro Aviation Management & Services Inc.**
Cocofed Hangar, Domestic Airport
Pasay City
Tel: (63-2) 833-2363 to 64
Fax: (63-2) 833-2363
Contact: Col. Ernesto L. del Rosario, Manager

**Seal Aircraft Industries, Inc. Phils.**
Suite 83-84 Legaspi St.
178 Salcedo St., Legaspi Vill.
Makati, Metro Manila
Tel: (63-2) 816-2465
Fax: (63-2) 817-5356
Contact: Mr. Alfredo S. Obrero, Jr., Executive Vice President - Director

**Western Pacific Aviation Corp**.
RPNCI, Hangar, Manila Domestic Airport
1301 Pasay City
Tel: (63-2) 832-3375
Fax: (63-2) 833-0605
Contact: Mr. Dennis Calansingin, Accounts Manager/Gen. Aviation

**Canadian Banks in the Philippines**

**The Bank of Nova Scotia**
9th Floor
Solidbank Bank Building
777 Paseo de Roxas
Makati, Metro Manila 1200
Philippines
Contact: M.S. Sevilla, Manager
Tel: (63-2) 817-9751/52
Fax: (63-2) 817-8796

**Canadian Government Contacts**

**Canadian Embassy**
11th Floor, Allied Bank Centre
6754 Ayala Avenue
Makati City, Metro Manila
Philippines 1200

Postal Address:

P.O. Box 2168
Makati Central Post Office
1261 Makati City, Metro Manila
Philippines 1299
Tel: (63-2) 810-8861
Fax: (63-2) 810-1699/810-8839

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Department of Foreign Affairs and International Trade Canada
125 Sussex Drive
Ottawa, ON K1A 0G2
Tel: (613) 996-8187
Fax: (613) 944-1604

**Aerospace and Defence Branch**
Industry Canada
235 Queen Street, 10th floor
Ottawa, ON K1A 0H5
Tel: (613) 957-9417
Fax: (613) 998-6703

**Aerospace Industries Association of Canada**
Suite 1200, 60 Queen Street
Ottawa, ON K1P 5Y7
Tel: (613) 232-4297
Fax: (613) 232-1142
Contact: Peter Boag, Director of Operations

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